

12 November 2025

Construction & Engineering | Industrial

Kelington Group (KGRB MK)

Buy (Maintained)

Another Strong Showing Expected; Stay BUY

Target Price (Return): MYR6.10 (+12%)
 Price (Market Cap): MYR5.44 (USD1,021m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (MYR/USD) 14.5m/3.45m

- Keep BUY and MYR6.10 TP, 12% upside and c.3% FY26F yield.** We expect Kelington Group to deliver another strong set of results with 3Q25F core PATAMI likely reaching a quarterly high on improving NPM. The robust outstanding orderbook exceeding MYR1bn and YTD new order wins of over MYR1.1bn should drive FY25F-27F core earnings CAGR of 12%. Our TP is based on +0.5SD of the Bursa Malaysia Technology Index's (KLTEC) historical P/E mean and includes a 6% ESG premium.
- Warming up to another strong quarter.** KGB is scheduled to announce its 9M25 results on 24 Nov followed by an investors call the following day. We expect earnings to trend in line, with 3Q25 core PATAMI at MYR35-40m, up 9-23% QoQ/YoY. The emphasis on profitability should see a further uptick in NPM (2Q25: 11.7%) with seasonally stronger revenue. The advanced engineering services segment (1H: 70% of revenue) should remain the key growth driver with stronger contributions from Singapore and Malaysia offsetting weaker revenue from China. We see the industrial gas business supported by steady LCO2 demand albeit weaker YoY from lower specialty gas sales and softer project revenue.
- Tenderbook at more than MYR4bn; some delays expected.** We learnt from a recent meeting with management that the tender for the second German fab (JV with Taiwan's largest foundry) will be downsized, with some portion of the job farmed by its principal to another contractor. The lower tender value (c.MYR300-400m) should nonetheless be offset by the potential expansion in the tenderbook for India (upside to c.MYR1.4bn value) with the adoption of "offset manufacturing" – a process whereby a wider scope of services is outsourced to contractors. Management expects the outcome of certain tenders to be delayed to 1Q/1H26. The strong outstanding orderbook of the group of over MYR1bn (as at end-September) should keep the group busy well into FY27F. YTD order wins are estimated at more than MYR1.1bn.
- Maiden green hydrogen (H2O) venture to be officially inked by end-November.** Following the MoU signed on 10 Sep, KGB is expected to ink the formal JV agreement with Worldwide Energy for the production of green H2O by end-November. KGB will construct a 2MW production hub, utilising the latter's small hydro power plant at Batang Kali. Initial production will commence in 2H26 with 200 cum/hour of green H2O. SKS Coachbuilders which is also a party in the MoU would be the initial off-taker with its fleet of hydrogen powered buses. KGB is working on a similar green H2O pact with the Sarawak State Government in addition to the production of other specialty gases.
- Key downside risks** are lower-than-expected order replenishment and lower-than-expected margins.

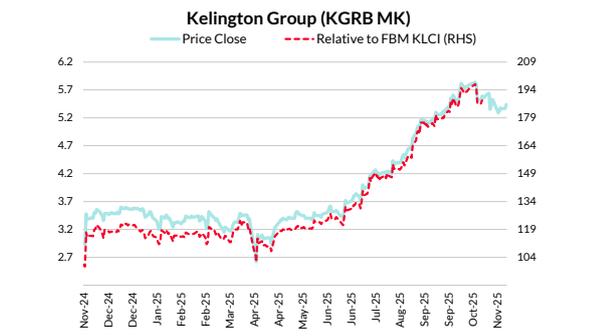
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	52.4	(6.1)	23.9	60.0	83.8
Relative	54.0	(5.8)	20.5	55.5	83.3
52-wk Price low/high (MYR)	2.62 – 5.84				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	1,614	1,272	1,310	1,459	1,591
Recurring net profit (MYRm)	118	126	151	174	189
Recurring net profit growth (%)	90.5	7.1	20.0	15.3	8.4
Recurring P/E (x)	35.00	27.87	23.23	20.14	18.58
P/B (x)	10.5	7.4	6.3	5.4	4.7
P/CF (x)	24.96	18.07	12.52	20.20	18.52
Dividend Yield (%)	0.7	1.7	2.2	2.5	2.7
EV/EBITDA (x)	27.90	18.52	14.86	12.59	11.26
Return on average equity (%)	32.1	29.0	29.2	28.8	27.2
Net debt to equity (%)	net cash				

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.3 (EXCELLENT)

S Score: 3.3 (EXCELLENT)

G Score: 3.3 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
GHG emissions captured are not directly comparable as manual data was captured prior to 2024.	Scope 1	11,173	12,495	3,889	na
	Scope 2	3,004	3,807	15,179	na
	Scope 3	33,605	24,137	94,286	na
	Total emissions	47,782	40,439	113,353	na

Source: Company data, RHB

Latest ESG-Related Developments

The group targets to cut Scope 1 & 2 emissions by 10% by 2030 using 2024 as the new baseline. The target is to lower Scope 3 emission by 5% by 2030 (2024 baseline) with a target renewable energy usage of 30% by 2035. The group is exploring carbon capture and usage (CCU) projects as part of the decarbonisation efforts.

ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: 26 May 2025

E Score: 3.3 (EXCELLENT)

KGB is committed to preserving the environment through various practices such as reducing electricity, water and CO2 consumption. The group designed and built the Stripper Reclaim System (SRS) with allowed manufacturers to recycle materials. It is also committed to designing exhaust systems that reduce noise pollution with emissions reduction technology.

S Score: 3.3 (EXCELLENT)

KGB has zero work-related injuries and/or fatalities with an Occupational Health & Safety Management System in place. The group is focused on attracting and retaining talent, and helping employees to further develop their skillsets. Community engagement projects include the Core Liver Baby Programme and Project Sambung Sekolah.

G Score: 3.3 (EXCELLENT)

KGB has applied and adopted company codes and policies encompassing Board policy, corporate code of conduct and policies and sustainability policies to ensure best practices and good corporate governance. Directors are skilled and from diverse backgrounds. Management has been transparent and open in communication with investor relations undertaken by a third party with regular investor briefings

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-09-22	Buy	6.10	5.40
2025-08-24	Buy	5.55	4.83
2025-08-05	Buy	5.40	4.43
2025-05-29	Buy	4.30	3.50
2025-02-28	Buy	4.30	3.49
2025-02-27	Buy	4.12	3.52
2025-02-09	Buy	4.12	3.44
2024-11-14	Buy	4.12	3.38
2024-08-14	Buy	3.90	3.38
2024-05-27	Buy	3.85	3.09
2024-05-21	Buy	3.35	3.03
2024-02-29	Buy	3.03	2.55
2024-01-10	Buy	2.64	2.34
2023-11-30	Buy	2.16	1.88
2023-11-24	Buy	1.88	1.70

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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